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International Economic Scoreboard™

INSIDE:

- **A Dull and Dreary Global Business Cycle**
- **Consumer Anxiety may Sap Strength from U.S. Recovery**
- **Japanese Cycle: Still an Ugly Picture**
- **Inflation Continues to Look Favorable**

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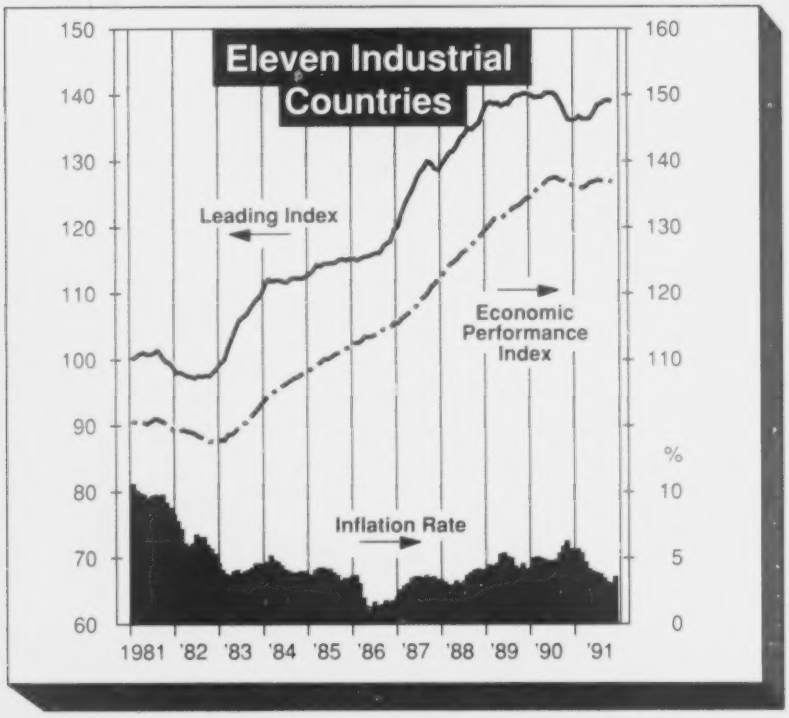
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
	1976-86	6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	0	0	0	-2	2	2	Recovery stalled	Nov.
Ten countries (U.S. excl.)	3	3	2	1	-3	0	0	Expansion slowing, leaders weak	Nov.
North America (2)	3	-4	-2	-1	-1	6	6	Recovery underway	Nov.
Europe (4)	2	2	1	1	1	2	1	Expansion slowing, leaders weak	Nov.
Pacific Region (5)	4	6	4	2	-8	-4	-4	Expansion slowing, leaders weak	Nov.
United States	3	-4	-1	-1	2	6	4	Recovery underway	Dec.
Canada	3	-3	-1	0	-2	2	5	Recovery underway	Nov.
West Germany	2	5	1	1	1	1	2	Expansion slowing	Nov.
France	2	3	4	3	6	5	0	Expansion continuing, leaders weak	Nov./Dec.
United Kingdom	2	-5	-3	-1	0	1	1	Recession continuing, leaders weak	Nov.
Italy	2	0	2	-1	1	0	0	Expansion stopped, leaders weak	Oct./Nov.
Japan	4	7	4	3	-11	-6	-5	Expansion slowing, leaders weak	Nov.
Korea, R.O.K.	7	9	8	4	5	8	7	Expansion continuing	Nov.
Australia	3	-7	-7	-4	-1	0	2	Recession continuing	Dec.
New Zealand	2	-2	-2	-1	-3	1	6	Recession continuing, leaders improving	Nov.
Taiwan, R.O.C.	8	6	6	7	12	8	7	Expansion continuing	Dec.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Dreary Economic Winter

The global business cycle, according to the 11-country composite indexes (left-hand page), again makes dull reading. Both indexes have been moving sideways lately, the performance index pancake flat for six months now; the leading index still with just a hint of uptilt.

At first glance this dull, dreary picture for the 11-country aggregate would seem to be consistent with the patterns shown by the three largest economies, since the indexes for each of those have also been generally flat in recent months. But in fact, each of the big three is in a different stage of the business cycle. Japan is in recession, uncertain how deep and prolonged the slump will prove to be. The United States had its recession in 1990-91, but the movement since last spring has been so lacking in decisiveness that most Americans are unsure whether a cyclical recovery has started or, if so, when it will begin to gather momentum. Germany, by contrast, is still in the expansion phase of the cycle, with its indexes flattening out because the economy is close to full capacity and its policymakers concerned more about inflationary pressures than about recession.

The 11-country inflation rate at 3.3 percent still looks favorable, down from 3.8 percent in June and 5.6 percent at the beginning of 1991. Except for West Germany and Taiwan, every nation is now recording slower inflation than in January 1991. In New Zealand, the rate is down to a startling 0.2 percent!

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.8	3.1	3.3	Steady	Dec.
Ten countries (U.S. excl.)	5.2	3.8	3.3	3.6	Steady	Dec.
North America (2)	5.6	3.7	3.0	3.0	Falling	Dec.
Europe (4)	6.6	4.4	4.3	4.5	Steady	Dec.
Pacific Region (5)	3.4	2.8	1.9	2.9	Steady	Dec.
United States	5.5	3.5	3.0	3.0	Falling	Dec.
Canada	6.5	5.8	3.8	1.5	Low and Falling	Dec.
West Germany	2.9	3.4	4.6	4.4	Steady	Dec.
France	7.3	2.9	2.6	3.4	Steady	Dec.
United Kingdom	7.3	4.9	4.0	4.4	Steady	Dec.
Italy	11.2	6.4	5.6	6.1	Steady	Jan.
Japan	2.5	2.6	1.3	2.6	Steady	Dec.
Korea, R.O.K.	8.1	8.4	9.1	7.9	Falling	Dec.
Australia	8.4	2.4	1.8	2.0	Low and Steady	Nov.
New Zealand	11.8	2.1	1.4	0.2	Low and Falling	Nov.
Taiwan, R.O.C.	4.4	2.7	1.1	4.8	Rising	Dec.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

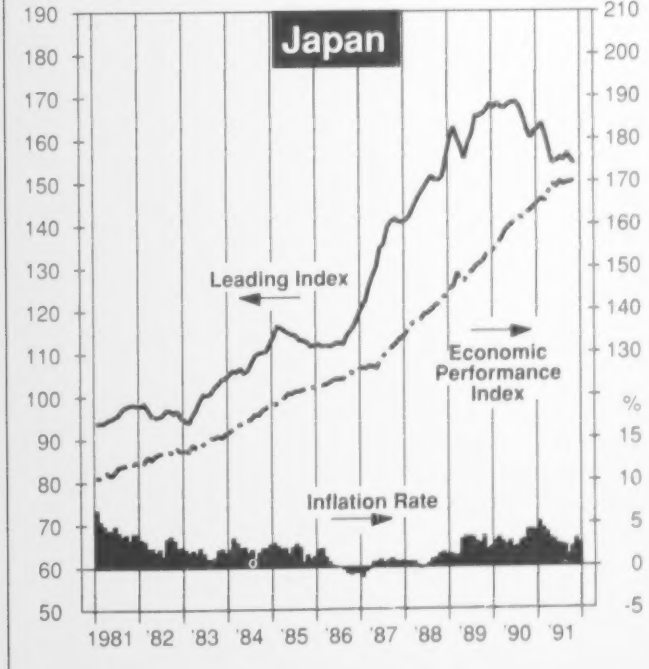
Countries

Sluggishness and Angst

The U.S. business cycle remains a source of great confusion. The general public thinks the recession is still on. Most economists say the recovery has begun, but agree that it has been very weak to date. In addition, they are not strongly confident the economy will gather upward momentum anytime soon.

The main barrier to a strengthening trend, probably, is the attitude of consumers, which is sour and, for reasons that are not at all clear, even somewhat fearful. This angst is not, however, shared by economic forecasters, financial executives and CFOs. The business people are not strongly optimistic to be sure, but their attitudes are more "we can live with this" rather than "fear of falling."

At latest report, the cyclical indexes signal additional sluggishness for early 1992. The most recent data, however, are slightly more encouraging. New housing permits and stock prices, in particular, started off the new year in chipper fashion. The inflation numbers are pointing in the right direction, too. Now if only general economic sentiment were a bit less vinegary!

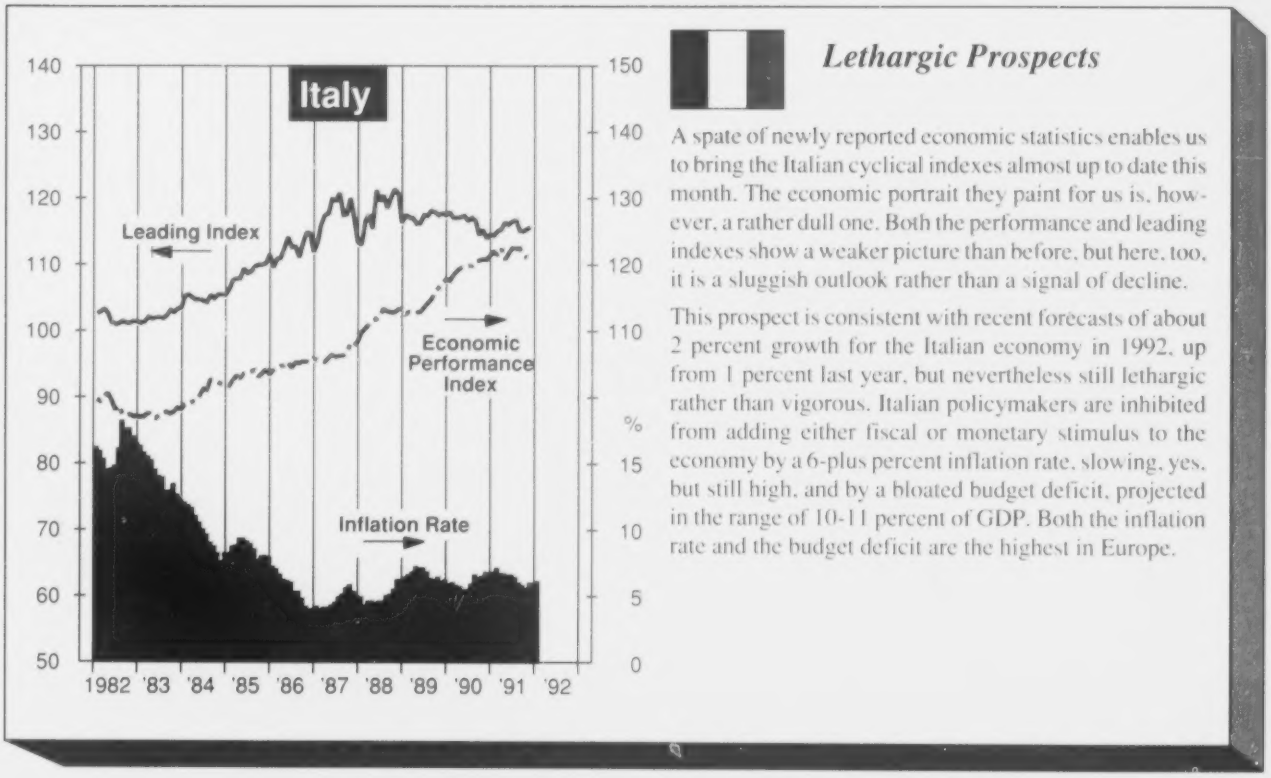


Unhappy Signals

The business cycle in Japan is still presenting an ugly picture. The performance index has been flat since midsummer, and if this isn't quite enough to qualify as a recession by American criteria, it does so easily by Japanese standards.

Thanks to data revisions, recent movements of the leading index look just a bit better now, but only in that this early warning series is sinking more gradually than appeared to be the case a month ago. Among the component indicators that make up the leading index, weakness is found in overtime hours, business failures and new orders. Corporate profits are also said to be falling sharply. As long as the headlines feature trade friction with the United States and scandals involving prominent politicians, it will be difficult to rebuild consumer and business confidence in Japan.

On the more favorable side, despite recent increases the level of unemployment is still low, interest rates have declined, substantial new public investment is in the works, and inflation remains moderate.



Lethargic Prospects

A spate of newly reported economic statistics enables us to bring the Italian cyclical indexes almost up to date this month. The economic portrait they paint for us is, however, a rather dull one. Both the performance and leading indexes show a weaker picture than before, but here, too, it is a sluggish outlook rather than a signal of decline.

This prospect is consistent with recent forecasts of about 2 percent growth for the Italian economy in 1992, up from 1 percent last year, but nevertheless still lethargic rather than vigorous. Italian policymakers are inhibited from adding either fiscal or monetary stimulus to the economy by a 6-plus percent inflation rate, slowing, yes, but still high, and by a bloated budget deficit, projected in the range of 10-11 percent of GDP. Both the inflation rate and the budget deficit are the highest in Europe.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	138	140	144	140	129	138	132	126	163	168
Aug.	90	138	140	144	140	128	138	133	126	164	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	135	133	125	164	162
Nov.	90	136	136	144	137	125	133	133	125	164	161
Dec.	90	136	136	145	138	124	132	133	125	165	162
Jan.	91	136	136	146	138	123	132	134	125	167	163
Feb.	91	136	137	146	138	122	132	134	126	167	164
Mar.	91	136	136	145	138	122	132	134	126	166	161
Apr.	91	136	136	146	137	122	133	134	126	168	159
May	91	137	136	147	136	123	134	134	126	170	156
June	91	137	137	147	137	123	136	135	127	169	157
July	91	137	138	147	138	123	138	135	127	170	158
Aug.	91	137	139	147	138	123	138	135	127	170	157
Sept.	91	137	139	147	138	123	139	134	127	170	159
Oct.	91	137	139	147	138	123	139	135	128	170	158
Nov.	91	137	139	147	137	122	140	135	127	170	156

11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
Growth Rates, Percent									
Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
4	1	6	2	1	-1	6	2	7	2
4	0	6	1	0	-2	6	2	6	0
2	-2	4	-1	-1	-3	5	1	5	-2
2	-3	4	-2	-2	-4	4	1	5	-5
1	-4	3	-3	-4	-6	4	0	4	-6
0	-4	3	-2	-5	-7	3	0	4	-4
0	-4	4	-2	-6	-6	4	0	5	-3
-1	-2	3	-1	-7	-5	3	1	5	-2
-1	-3	2	-1	-7	-5	3	1	3	-4
0	-2	3	-2	-6	-3	2	2	5	-6
0	-2	3	-3	-4	-1	2	1	6	-8
0	0	3	-2	-4	2	2	2	4	-7
1	2	3	-1	-3	4	2	3	4	-5
0	2	2	0	-2	6	1	2	4	-4
0	3	2	0	-1	6	0	2	3	-2
1	3	2	0	-1	6	1	2	3	-3
0	2	1	0	-1	6	1	1	2	-4
Ten Year Annual Growth Rate, Percent									
3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	128	140	134	119	128	131	148	132	129	117	120	117	161	169	237	226	149	125	113	115	192	234
Aug.	90	128	139	134	119	129	132	149	131	129	117	120	116	162	168	238	226	147	124	113	114	192	232
Sept.	90	127	139	133	118	129	132	149	130	129	117	120	114	162	165	238	234	145	124	113	114	193	230
Oct.	90	126	137	132	118	130	133	150	130	128	116	121	115	163	163	237	223	144	123	114	114	195	229
Nov.	90	125	135	131	116	130	133	149	130	128	115	121	114	164	160	239	233	142	124	114	114	195	236
Dec.	90	124	134	130	115	131	134	149	129	127	115	121	114	164	162	242	232	142	122	113	113	194	235
Jan.	91	123	134	128	114	133	134	150	130	126	114	122	114	166	163	248	234	142	122	113	113	197	239
Feb.	91	122	134	128	112	133	135	150	131	126	114	121	115	166	164	249	227	140	123	112	112	201	239
Mar.	91	122	134	128	113	134	135	150	132	126	115	122	115	166	161	249	230	138	122	112	112	199	243
Apr.	91	122	135	129	114	134	134	151	133	124	116	121	116	168	158	255	234	134	123	112	112	199	246
May	91	122	136	129	115	134	133	151	133	124	116	122	116	170	154	253	236	136	124	112	112	202	249
June	91	122	138	129	116	135	134	152	135	124	116	122	116	169	155	251	229	137	123	112	112	202	253
July	91	122	140	130	116	134	134	153	136	124	117	122	117	170	156	254	239	134	124	112	114	202	249
Aug.	91	122	140	129	117	133	134	154	136	124	116	122	115	170	155	257	241	138	123	112	114	202	251
Sept.	91	122	141	130	118	133	135	153	136	124	116	121	115	170	157	256	239	134	123	112	116	204	252
Oct.	91	122	141	130	117	134	135	154	136	124	116	121	115	170	155	258	247	134	123		116	208	253
Nov.	91	122	142	129	118	134	135	154	135	125	116		116	171	154	257	244	132	122		117	208	255
Dec.	91	122	141						133									134	124			209	256
		Growth Rates, Percent																					
July	90	1	-1	0	-5	8	4	8	4	2	-1	4	-1	8	2	8	2	-2	-4	2	-2	-1	-1
Aug.	90	0	-2	-1	-3	8	4	8	3	1	-2	4	-2	8	0	8	2	-4	-4	1	-4	-1	-3
Sept.	90	-1	-2	-2	-4	6	4	7	1	1	-1	3	-4	6	-2	6	8	-5	-4	1	-4	0	-5
Oct.	90	-2	-5	-3	-4	6	4	6	0	0	-2	3	-3	6	-6	4	-2	-6	-5	1	-3	2	-5
Nov.	90	-4	-7	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	5	6	-9	-3	1	-4	1	0
Dec.	90	-5	-7	-5	-7	5	4	4	-1	-2	-4	3	-3	6	-5	6	4	-8	-4	0	-4	0	0
Jan.	91	-6	-6	-7	-8	8	5	5	0	-3	-5	3	-3	6	-4	10	5	-6	-4	-1	-4	4	2
Feb.	91	-7	-5	-7	-9	7	5	4	1	-4	-4	2	-1	6	-2	9	-1	-8	-2	-1	-4	7	2
Mar.	91	-7	-5	-6	-7	7	4	3	2	-4	-3	3	-1	4	-5	8	1	-10	-3	-2	-3	5	6
Apr.	91	-6	-3	-4	-5	6	2	3	4	-5	-1	0	1	6	-8	12	5	-13	-2	-2	-2	5	8
May	91	-5	-1	-3	-2	5	1	3	4	-5	0	1	1	7	-11	9	5	-10	0	-2	-3	6	10
June	91	-4	2	-2	-1	5	1	3	6	-4	0	2	2	5	-9	6	0	-7	-1	-2	-2	6	12
July	91	-3	5	-1	1	4	0	4	6	-3	2	2	2	6	-7	7	7	-9	0	-1	0	5	8
Aug.	91	-2	6	-1	2	1	1	4	6	-3	1	2	0	4	-6	8	8	-4	0	-1	1	4	9
Sept.	91	-1	6	0	4	1	1	2	5	-3	0	0	0	4	-3	6	5	-7	0	-1	4	6	8
Oct.	91	-1	7	0	3	1	1	4	5	-2	1	-1	0	3	-4	7	12	-5	0		5	8	7
Nov.	91	-1	5	0	5	1	2	3	2	-1	1		0	3	-5	4	7	-8	-1		6	7	8
Dec.	91	-1	4						0									-4	2			7	7
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8